

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Livingston Township		County Otsego
Audit Date March 31, 2004	Opinion Date August 6, 2004	Date Accountant Report Submitted to State: September 10, 2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

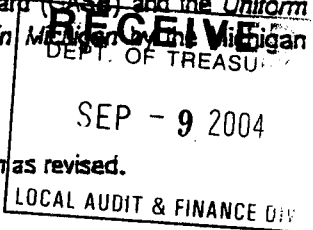
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Keskine, Cook, Miller, Smith & Alexander, LLP			
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
Accountant Signature <i>Walter A. Keskine</i>			



TOWNSHIP OF LIVINGSTON
OTSEGO COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

TOWNSHIP OFFICIALS

SUPERVISOR

RICHARD WOJTKOWIAK

CLERK

JOANIE MENCH

TREASURER

KAREN DARNER

TRUSTEES

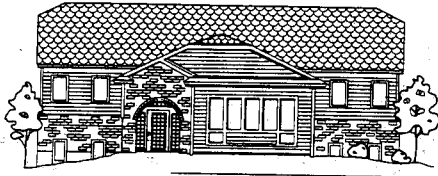
BETH DIPZINSKI

DENISE GAPINSKI

LIVINGSTON TOWNSHIP

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Keskin, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

August 6, 2004

To the Township Board
Livingston Township
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major fund activities of the Township of Livingston, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund activity of the Township of Livingston as of March 31, 2004, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2004.

The management's discussion and analysis on pages 3-5 and budgetary comparison information on pages 24-26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

K.K. Cook Mill Smith; alexander up
KESKINE, COOK, MILLER, SMITH & ALEXANDER, LLP

LIVINGSTON TOWNSHIP
OTSEGO COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED MARCH 31, 2004

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2004 totaled approximately 862,000 for governmental activities and -0- for business-type activities. Of these totals, approximately 115,000 and -0- respectively, represent capital assets net of depreciation.

Revenues derived from governmental activities were approximately 292,000 (6,000 from program revenues and 286,000 from general revenues). Overall expenses for the Township's governmental activities approximated 167,000.

There were no business-type activities for the fiscal year March 31, 2004.

The Township has no outstanding debt. The Township purchased no capital assets during the fiscal year. Capital asset activity is addressed further in a subsequent section of this letter.

OVER VIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government -wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets include all of the Township's assets and liabilities. The statement of activities records all of the current year revenues expenses regardless of when received or paid.

The two Government -wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Township, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

Fiduciary funds: The Township acts as a trustee and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. These activities do not appear in the Township' government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

Financial Analysis Of The Township As A Whole

Net Assets: The Township's net assets- governmental activities increased approximately 125,000 during the year to total 848,000 .

Governmental Activities: The increase in net assets for governmental activities is due largely to A water system that has not been developed as yet.

Financial Analysis Of The Township's Funds

General Fund-- This fund is used to record all activities of the Township not required to be recorded in a separate fund. The major source of revenue for the general fund is from the Township tax base, and revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township. Administration, Assessing & Tax Collection, Township property, Fire Protection.

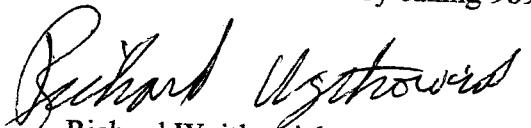
Capital Asset Activity

Capital Assets:

No capital asset additions were made this year.

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Richard Wojtkowiak Supervisor at 1386 Old 27 North. or by calling 989-732-4426

 *Richard Wojtkowiak* Township Supervisor

Richard Wojtkowiak Township Supervisor

**TOWNSHIP OF LIVINGSTON
STATEMENT OF NET ASSETS
MARCH 31, 2004**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets:	
Cash	\$ 319,729
Investments	375,476
Receivables:	
Delinquent Taxes	9,797
Interest Receivable	3,300
Due from Other Funds	595
Total Current Assets	708,897
Non-Current Assets:	
Capital Assets	167,945
Less Accumulated Depreciation	(52,727)
Net Capital Assets	115,218
Accounts Receivable	38,034
Total Non-Current Assets	153,252
Total Assets	862,149
LIABILITIES	
Current Liabilities	
Accounts Payable	13,267
Payroll Liabilities	454
Total Current Assets	13,721
NET ASSETS	
Investment in Net Capital Assets	115,218
Unrestricted	725,547
Total Net Assets	\$ 848,428

See accompanying notes to financial statements.

TOWNSHIP OF LIVINGSTON
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2004

	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
Governmental Activities					
Administration	\$ (75,701)	\$ -	\$ -	-	(75,701)
Assessing & Tax Collection	(25,649)	4,525	-	-	(21,124)
Elections	(1,364)	1,065	-	-	(299)
Township Property	(22,664)	-	-	-	(22,664)
Roads	-	-	-	-	-
Planning & Zoning	(5,579)	-	-	-	(5,579)
Fire Protection	(36,870)	500	-	-	(36,370)
Water System Project	-	-	-	-	-
Total Government	(167,827)	6,090	-	-	(161,737)

GENERAL REVENUES

Property Taxes	112,898
State Shared Revenue	158,010
Investment Earnings	9,968
Rental Income	4,650
Miscellaneous	365

Total General Revenues

285,891

CHANGE IN NET ASSETS

124,154

NET ASSETS - APRIL 1

724,274

NET ASSETS - MARCH 31

\$ 848,428

See accompanying notes to financial statements

**TOWNSHIP OF LIVINGSTON
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2004**

	<u>GENERAL</u>
ASSETS	
Cash and Equivalents	\$ 319,729
Investments	375,476
Taxes Receivable	5,434
Due from Other Funds	595
Total Assets	<u>701,234</u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts Payable	13,267
Payroll Liabilities	454
Total Liabilities	<u>13,721</u>
Fund Equity	
Fund Balance	
Undesignated	687,513
Total Fund Equity	<u>687,513</u>
Total Liabilities and Fund Equity	<u>\$ 701,234</u>

See accompanying notes to financial statements

**TOWNSHIP OF LIVINGSTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2004**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 8)	\$ 687,513
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Amounts reported for governmental activities in the Statement of Net Assets (page 6) are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds. This represents the amounts by which capital assets used in governmental funds exceeds accumulated depreciation.	115,218
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Income not received within 60 days of year end is not considered spendable resources and is not recorded.	7,663
---	-------

Long-term assets, including notes/accounts receivable are not recorded in governmental funds using the modified accrual basis since they are not considered as current spendable resources.	38,034
---	--------

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER THE STATEMENT OF NET ASSETS - PAGE 6)	\$ <u>848,428</u>
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See accompanying notes to financial statements

**TOWNSHIP OF LIVINGSTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2004**

	<u>GENERAL</u>
Revenue:	
Taxes & assessments	\$ 116,536
State Shared Revenue	158,010
Charges for Services	5,025
Investment Income	9,768
Rents & Royalties	4,650
Miscellaneous	1,430
Total Revenue	<u>295,419</u>
Expenditures:	
General Government:	
Township Board	26,315
Supervisor	10,909
Election	1,031
Assessor	22,140
Clerk	18,364
Board of Review	1,286
Treasurer	22,336
Township Property	18,379
Roads	-
Planning & Zoning	5,579
Water Supply System	38,034
Fire Protection	36,870
	<u>201,243</u>
Excess (Deficiency) of Revenue over Expenditures	94,176
Fund Balance - April 1	<u>593,337</u>
Fund Balance - March 31	<u><u>\$ 687,513</u></u>

See accompanying notes to financial statements

**TOWNSHIP OF LIVINGSTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2004**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 94,176
- PAGE 10	

Amounts reported for governmental activities in the Statement of Activities
(page 7) are different because:

Governmental funds do not report long-term accrued income. amounts not received within 60 days is not considered as a spendable resources available to pay expenses. Current year change.	(3,437)
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Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are capitalized and depreciation charged to expense over their useful life. Depreciation - current year	(4,619)
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Governmental funds expense the costs associated with the water supply system but those costs are recorded as a non-current asset on the Statement of Activities.	38,034
--	--------

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (PER THE STATEMENT OF ACTIVITIES - PAGE 7)	<u>\$ 124,154</u>
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See accompanying notes to financial statements

**TOWNSHIP OF LIVINGSTON
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2004**

ASSETS

Cash	\$ 595
	<hr/>

LIABILITIES

Due to Other funds	595
Due to Other Governments/Individuals	-
	<hr/>
Total Liabilities	595
	<hr/>

NET ASSETS

Net Assets	\$ -
	<hr/> <hr/>

See accompanying notes to financial statements

**TOWNSHIP OF LIVINGSTON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2004**

Revenue:

Taxes & assessments	\$ 3,158,622
Interest Collections	301
Other Collections	10,853
	<hr/>
Total Revenue	3,169,776
	<hr/>

Expenditures:

Property Tax & Interest Payments - Township	100,872
Property Tax Payments - Other Governments	3,058,051
Other Payments	10,853
	<hr/>
Total Expenditures	3,169,776
	<hr/>

Excess (Deficiency) of Revenue over Expenditures	-
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Net Assets - April 1	-
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Net Assets - March 31	\$ -
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See accompanying notes to financial statements

**TOWNSHIP OF LIVINGSTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE A: ENTITY

The Township of Livingston is a general law township of the State of Michigan, located in Otsego County, Michigan. It operates under an elected board and provides services to its residents in many areas including public safety, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Livingston Township.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Livingston Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Livingston Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

**TOWNSHIP OF LIVINGSTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED))**

Government-Wide Financial Statements (Continued)

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The Township of Livingston has only one governmental fund, general. Therefore, no non-major funds are reported. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental fund:

**TOWNSHIP OF LIVINGSTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

FUND TYPES AND MAJOR FUNDS (CONTINUED)

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**TOWNSHIP OF LIVINGSTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, fees, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2003, are recorded as revenue in the current year. The Township's taxable value for the 2003 tax year totaled \$111,896,968.

The tax rates for the year ended March 31, 2004, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	0.900 mills per \$1,000

**TOWNSHIP OF LIVINGSTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

BUDGET

Each year the unit formulates and adopts a budget as follows:

1. In January or February a preliminary budget is prepared for all funds.
2. Review and annual budget hearing are held in March.
3. Budget is adopted at the Township Board meeting in March or April each year.

The budget as prepared conformed to P.A. 621 of 1978.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$3,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Office furniture and equipment	10 – 15 years
Buildings and improvements	15 – 40 years

**TOWNSHIP OF LIVINGSTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Land and construction in progress are not depreciated.

For information describing capital assets, see Note E.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

At this time, the Township has no outstanding long-term debt.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE C: CASH AND INVESTMENTS

Cash and equivalents consists of all cash on hand, checking and savings accounts, and certificates of deposit with an initial maturity of three months or less.

All cash deposits are maintained in financial institutions in the Gaylord, Michigan area. The Township's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

**TOWNSHIP OF LIVINGSTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE C: CASH AND INVESTMENTS (CONTINUED)

Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.

Category 2 – Collateralized with securities held by the pledging financial Institution's trust department or agent in the Township's name.

Category 3 – Uncollateralized.

	<u>BANK BALANCE</u>	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
Checking & Savings	<u>\$ 325,026</u>	<u>\$ 299,719</u>	<u>\$ -</u>	<u>\$ 25,307</u>	<u>\$ 319,729</u>
Trust & Agency	<u>\$ 1,560</u>	<u>\$ 281</u>	<u>\$ -</u>	<u>\$ 1,279</u>	<u>\$ 595</u>

<u>INVESTMENT TYPE</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>CARRYING AMOUNT</u>
Certificates of Deposit	<u>\$ 120,763</u>	<u>\$ 254,713</u>	<u>\$ -</u>	<u>\$ 375,476</u>

(1) Insured and registered, or securities held by the Township or the Township's Agent in the Township's name.

(2) Uninsured and unregistered, with securities held by the counter party's trust department or its agent in the Township's name.

(3) Uninsured and unregistered, with securities held by the counter party's trust department or agent but not the Township's name.

The Township's investments are in accordance with statutory authority.

NOTE D: ACCOUNTS RECEIVABLE

PROPERTY TAXES

Property taxes due from tax payers are categorized as follows:

Current	<u>\$ 5,434</u>
Over 90 days	<u>4,363</u>
TOTAL	<u>\$ 9,797</u>

**TOWNSHIP OF LIVINGSTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE D: ACCOUNTS RECEIVABLE (CONTINUED)

INTEREST

Non-current accruals on Certificates of Deposit \$ 3,300

WATER SUPPLY SYSTEM

Costs incurred to establish and engineer system to be refunded by the developer. The Township has signed a commitment with an engineering firm totaling \$65,000. Cost to date \$38,034. Such amount is considered a noncurrent asset.

No allowance on accounts receivable is considered necessary at March 31 2004.

NOTE E: CAPITAL ASSETS

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>	<u>CAPITAL ASSETS DEPRECIATED</u>		
	<u>Land</u>	<u>Buildings & Components</u>	<u>Furniture & Equipment</u>	<u>Totals</u>
<i>Governmental Activities</i>				
Balance, April 1, 2003	\$ 43,380	\$ 95,948	\$ 28,617	\$ 167,945
Increases	-	-	-	-
Decreases	-	-	-	-
Balance, March 31, 2004	<u>43,380</u>	<u>95,948</u>	<u>28,617</u>	<u>167,945</u>
<i>Accumulated Depreciation</i>				
Balance, April 1, 2003	-	36,281	11,827	48,108
Increases	-	2,626	1,993	4,619
Decreases	-	-	-	-
Balance, March 31, 2004	<u>-</u>	<u>38,907</u>	<u>13,820</u>	<u>52,727</u>
<i>Governmental Activities</i>				
Capital Assets, Net	<u>\$ 43,380</u>	<u>\$ 57,041</u>	<u>\$ 14,797</u>	<u>\$ 115,218</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

Elections	\$ 333
Township Property	<u>4,286</u>
Total	<u>\$ 4,619</u>

**TOWNSHIP OF LIVINGSTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE F: FUND BALANCE/NET ASSETS

CALCULATION OF BEGINNING NET ASSETS

The Township adopted GASB Statement No. 34 effective April 1, 2003. The following represents the reconciliation of the Townships fund balance as of April 1, 2003, to its beginning net assets balance, as presented in the Statement of Activities, for the year ended March 31, 2004:

Total Fund Balance, April 1, 2003	\$ 593,337
Record non-current receivables	11,100
Record capital assets	167,945
Record accumulated depreciation	<u>(48,108)</u>
Beginning Net Assets, April 1, 2003	<u>\$ 724,274</u>

NOTE G: INTERFUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables consist of:

Monies collected in the property tax collection fund and not disbursed to the General fund at March 31, 2004. \$ 595

NOTE H: PENSION PLAN

The Township of Livingston contributes to a pension plan which is a defined contribution pension plan administered by the Municipal Retirement Systems.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

All full-time employees and elected officials over the age of 18 are eligible to participate in the plan. Contributions made by the Township and employees are fully vested immediately. The participant will receive all vested benefits upon termination of employment with the Township.

**TOWNSHIP OF LIVINGSTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE H: PENSION PLAN (CONTINUED)

The plan requires the Township to contribute 7.5% of the eligible employees current compensation. Additionally, 3% past service credit is also credited for a maximum of 10 years. The Township has met all pension obligations for the year ended March 31, 2004. In addition, employees may make voluntary contributions. The Township's contribution for the year totaled \$3,879.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE I: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

NOTE J: 425 AGREEMENT

Livingston Township has several contracts for transfer of property with the City of Gaylord, which is governed pursuant to P.A. 1984 NO. 425. The contract shall be in effect for 16 years from the date of contract. Livingston Township allows the City of Gaylord to extend water and sewer service to the property. During the contract the property shall be part of the jurisdiction of the City of Gaylord for all purposes and any revenues generated by the property belongs to the City. Upon expiration, the contract shall be renewable in whole or in part for an additional 10 years upon mutual agreement. The Township recognized \$7,778 in Act 425 income in the current year.

TOWNSHIP OF LIVINGSTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2004

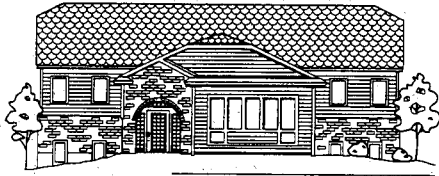
	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Property Taxes	\$ 83,646	\$ 83,646	\$ 100,678	\$ 17,032
Act 425 Agreement	6,500	6,500	7,778	1,278
Penalties & Interest	850	850	8,080	7,230
State Shared Revenue	186,696	186,696	158,010	(28,686)
Fees	5,197	5,197	5,025	(172)
Interest	9,000	9,000	9,768	768
Rent	5,000	5,000	4,650	(350)
Reimbursements	-	-	1,065	1,065
Miscellaneous	400	400	365	(35)
Total Revenues	297,289	297,289	295,419	(1,870)
EXPENDITURES				
GENERAL GOVERNMENT:				
Township Board:				
Salaries	5,008	5,008	5,008	-
Fringes	5,800	5,800	4,482	1,318
Board Incentive	2,500	2,500	1,626	874
Professional Services	6,000	6,000	3,222	2,778
Education and Training	1,000	1,000	1,220	(220)
Retirement Fund	4,000	4,000	3,879	121
Printing and Publishing	750	750	524	226
Insurance and Bonds	5,500	5,500	6,354	(854)
Miscellaneous	150	-	-	-
Total Township Board	30,708	30,558	26,315	4,243
Township Supervisor:				
Salaries	8,161	8,161	8,161	-
Board Incentive	2,000	2,000	1,813	187
Education and Training	1,700	1,700	844	856
Office Supplies	100	100	91	9
Total Township Supervisor	11,961	11,961	10,909	1,052
Election:				
Salaries	2,500	2,500	968	1,532
Voting Machine	900	900	-	900
Operating Supplies	1,000	1,000	63	937
Total Township Election	4,400	4,400	1,031	3,369

TOWNSHIP OF LIVINGSTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Township Assessor:				
Salaries	18,961	18,961	18,961	-
Office Supplies	2,500	2,500	1,103	1,397
Education and Training	-	-	170	(170)
Data Processing	2,000	2,000	1,906	94
Total Township Assessor	23,461	23,461	22,140	1,321
Township Clerk:				
Salaries	14,707	14,707	14,707	-
Deputy Wages	250	250	250	-
Fringes	-	-	-	-
Board Incentive	1,400	1,400	1,332	68
Office Supplies	2,500	2,500	410	2,090
Education and Training	1,500	1,500	943	557
Miscellaneous	100	100	122	(22)
Rent	600	600	600	-
Total Township Clerk	21,057	21,057	18,364	2,693
Township Board of Review:				
Salaries	800	800	1,286	(486)
Fringes	-	-	-	-
Travel	75	75	-	75
Education and Training	200	200	-	200
Total Township Board of Revi	1,075	1,075	1,286	(211)
Township Treasurer				
Salaries	13,771	13,771	13,771	-
Deputy Wages	250	250	250	-
Fringes	-	-	-	-
Board Incentive	1,100	1,100	524	576
Office Supplies	2,000	2,000	3,618	(1,618)
Data Processing	1,000	1,000	1,130	(130)
Summer Tax Collection Expense	-	2,224	2,223	1
Education and Training	2,500	2,500	220	2,280
Miscellaneous	200	200	-	200
Rent	600	600	600	-
Total Township Treasurer	21,421	23,645	22,336	1,309

TOWNSHIP OF LIVINGSTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Township Hall:				
Salary	3,000	3,000	3,408	(408)
Fringes	-	-	-	-
Telephone	450	450	413	37
Heating	3,500	3,500	2,584	916
Electric	2,000	2,000	1,337	663
Repair and Maintenance	5,325	5,325	2,565	2,760
Snow Plowing	1,000	1,000	1,665	(665)
Hall Improvements	50,000	50,000	1,000	49,000
Spring Cleanup	10,000	10,000	4,690	5,310
Miscellaneous	700	700	717	(17)
Total Township Hall	75,975	75,975	18,379	57,596
Total General Government	190,058	192,132	120,760	71,372
Planning Commission	12,000	12,000	5,579	6,421
Water System Project	150,000	150,000	38,034	111,966
Public Safety:				
Fire	36,870	36,870	36,870	-
Roads	40,000	40,000	-	40,000
Total Expenditures	428,928	431,002	201,243	229,759
Excess (Deficiency) of Revenues over Expenditures	131,639	133,713	94,176	227,889
Fund Balance - April 1	593,337	593,337	593,337	-
Fund Balance - March 31	\$ 461,698	\$ 459,624	\$ 687,513	\$ 227,889



Keskin, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

August 6, 2004

To the Township Board
Livingston Township
Gaylord, MI 49735

Dear Board Members:

We have completed the audit of Livingston Township for the year ended March 31, 2004. In planning and performing our audit of the financial statements of Livingston Township, we became aware of certain weaknesses in the Township's accounting functions and or systems. As a result we offer the following comment and recommendation for your consideration:

1. The payroll records were examined as part of the audit process and it was noted that complete copies were not available for all tax reports. It was difficult to reconcile the payroll expenditures to the General ledger. In addition some copies were not copies of the filed reports, but had been penciled in as a copy so that it was not possible to determine the amounts actually filed with governmental agencies.

We recommend that payroll records be kept on each employee recording gross pay and all withholdings. In addition payroll report files should be neat and orderly so that the individual records and governmental filings can be tied to the general ledger accounts.

The township is currently using Quickbooks for the general ledger but the payroll module does not appear to be used. Reports and filings with the government would be greatly enhanced by use of the Quickbooks payroll system. Individual payroll records, W-2s and 941 preparation could be greatly simplified and enhanced. We recommend that the township implement the Quickbooks payroll system.

We thank you for assistance received during the audit.

Sincerely,

K. Keskin, C. Cook, M. Miller, S. Smith, A. Alexander
Keskin, Cook, Miller, Smith & Alexander LLP